Weekly Economic Review

Job market weakens

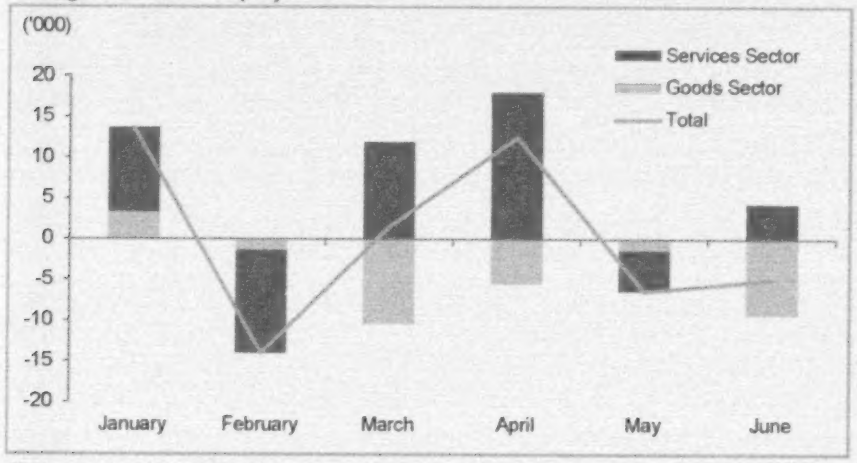
Employment

Employment dips

Alberta's labour market continued to decline in June, with employment falling by 5,000, the second straight month of declines (Chart 1). Despite the loss, the unemployment rate ticked down slightly to 5.7% . This was a result of 7,000 people leaving the workforce. Job losses were spread out across the goods sector (-9,300), with agriculture, oil and gas, utilities, and construction posting declines. Most service sector industries posted gains, with the exception of other services (-4,300). There was a large drop in self-employed (-13,500) and a decline in the private sector (-2,100), which were not offset by a large number of jobs added in the public sector (+10,500). The province lost both full-time and part-time positions.

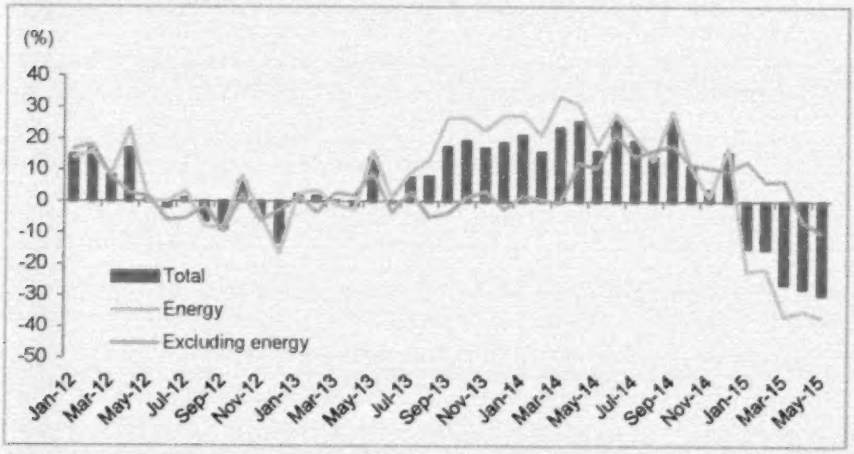
At the national level, the labour market was essentially unchanged, as employment declined by 6,400. The unemployment rate was steady at 6.8%.

Chart 1: Employment falls for the second month in a row
Change in Alberta employment



Source: Statistics Canada

Chart 2: Broad-based declines in Alberta merchandise exports
Year-over-year change



Source: Statistics Canada

Merchandise Trade

Exports fall again

Alberta international goods exports fell to a four-year low in May 2015, down 30% from May 2014. Energy exports drove the decline, down 36.9% y/y. Crude oil export volumes were down 1.1% y/y, the first decrease on volumes since February 2014 as forest fires caused evacuations of some oil sands facilities. The decline was not limited to the energy sector, with non-energy exports down 9.9% y/y (Chart 2), led by a 42% decline in industrial machinery and equipment.

Housing Starts

Starts Jump

Alberta housing starts jumped 26% to 41,838 (annualized) in June, but were down from the near record-high posted in June 2014. The pick-up in housing starts was the result of a 54% jump in Calgary and a smaller 6.4% increase in Edmonton housing starts. Urban multi-family starts also contributed to the monthly jump, increasing 48% from May. Over the past three months, urban single-family starts have slowed, averaging around 12,500 starts. This is

about 3,000 starts below the 5-year average, but remains in line with the historical average for single family starts.

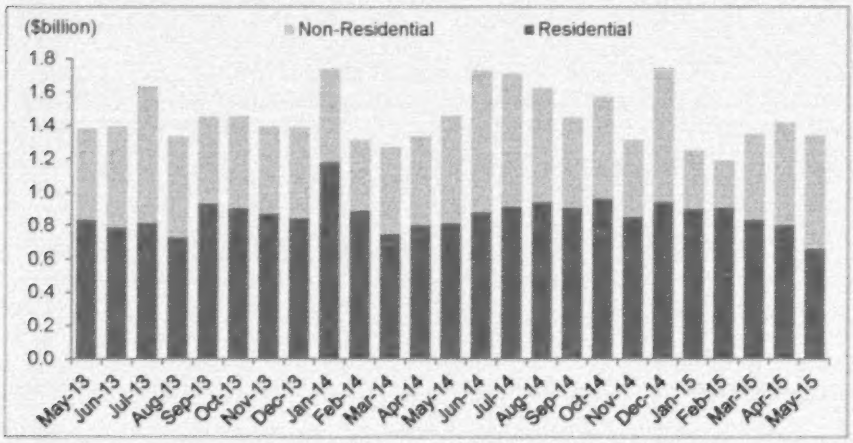
Building Permits

Residential permits down

There were $1.34 billion in building permits issued in Alberta for May 2015, down 8.2% y/y. Non-residential building permits have recovered after hitting a four-year low in February, and were up 4.8% y/y in May, but remain down 8.8% year-to-date. Residential permits were down 7.2% year-to-date and have been falling since February (Chart 3), dropping to a three-year low. The decline has been localized to Calgary, with permit values elsewhere in the province unchanged year-to-date.

Chart 3: Residential building permits have been drifting lower

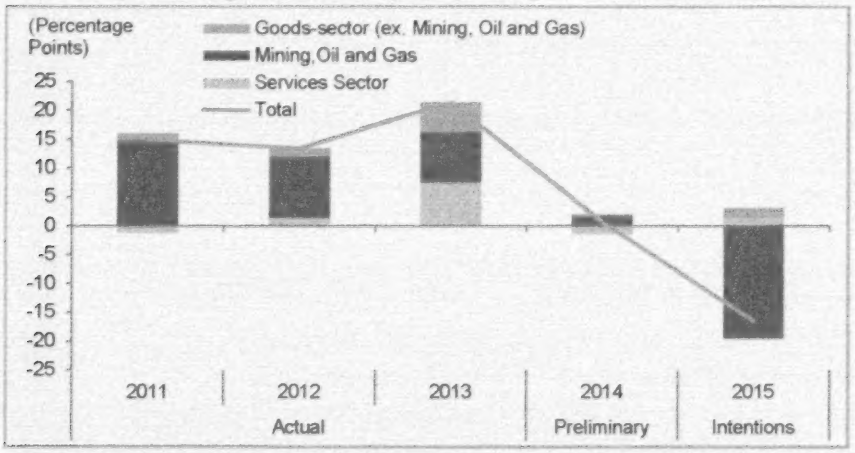
Level of Alberta building permits



Source: Statistics Canada

Chart 4: Capital spending expected to be lower in 2015 on oil and gas

Contribution to change in Alberta capital spending



Source: Statistics Canada

Oil and Gas Production

Weather slows mining production

After strong growth in the fourth quarter, crude production in April was slightly lower than a year earlier. Unseasonably warm temperature played a major role, as the early arrival of spring break-up caused mining production to shutdown a month earlier than usual. This resulted in a 7.0% y/y drop in synthetic crude. Production of raw bitumen remained strong, up 9.5% y/y. Conventional oil production was down 9.9% y/y, the largest decline since 2009 as drilling activity has slowed to a crawl. Natural gas production was up 2.8%, rising year-over-year for the first time this year. The extra production went to international markets, with exports rising 5.5%.

Investment Intentions

Energy investment plans are down

Businesses and government intend to invest $82.0 billion in 2015, a decrease of 11% from 2014. Lower capital spending in mining, oil and gas was responsible for the slowdown (Chart 4), with planned capital spending of only $44.0 billion, 21.5% lower than in 2014. Investment in conventional oil extraction is expected to decline 21% and non-conventional by 17%. Other sectors, however, expect an increase, with investment outside of mining oil and gas increasing by 5.3%. Transportation and warehousing continues to see high levels of investment, with an expected increase of 20% to $9.2 billion. Capital spending in manufacturing is expected to increase by 24% in 2015 as construction continues on the North West Upgrader.

Contact

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.